

STATEWIDE 911 BOARD

Financial Statements

Year Ended June 30, 2013

STATEWIDE 911 BOARD

CONTENTS

	Pages
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Net Position	3
Statements of Revenue, Expenditures, and Changes in Net Position	4
Statements of Cash Flows	5
Notes to Financial Statements	6-8
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	9-10
ADDITIONAL INFORMATION	
Letter on Compliance with Indiana Code 36, Article 8, Chapter 16.7, Section 37.	11

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Statewide 911 Board

We have audited the accompanying financial statements of the Statewide 911 Board, which comprise the statement of net position as of June 30, 2013, and the related statements of revenue, expenditures, changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating significant accounting estimates made by management as well as evaluating the overall presentation of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Statewide 911 Board as of June 30, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Statewide 911 Board collects, disburses and uses the statewide 911 fee assessed under Indiana Code Title 36, Article 8, Chapter 16.7, Section 37. Our opinion is not modified with respect the Statewide 911 Board's compliance with this state statute.

Other Matters

In accordance with Government Auditing Standards, we have issued our report dated October 18, 2013 on our consideration of the Statewide 911 Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the GASB. Management's Discussion and Analysis has not been included with the basic financial statements. The additional information has been included for purposes of additional analysis and is not a required part of the basic financial statements.

London Witte Group, LLC

London Witte Group, LLC
Indianapolis, Indiana
October 18, 2013

STATEWIDE 911 BOARD

STATEMENTS OF NET POSITION

June 30, 2013

ASSETS

	<u>2013</u>
Cash	\$ 13,413,816
Accounts receivable	6,044,603
Prepaid expenses	4,661
Other receivables	2,824
Capital Assets	<u>41,292</u>
TOTAL ASSETS	<u>19,507,196</u>

LIABILITIES

Accounts payable	757,395
Accrued Hold Harmless distributions	9,989,833
Accrued 90/10 distributions	<u>4,423,082</u>
TOTAL LIABILITIES	<u>15,170,310</u>

NET POSITION

Restricted	<u>4,336,886</u>
TOTAL NET POSITION	\$ <u><u>4,336,886</u></u>

The accompanying notes are an integral part of these statements.

STATEWIDE 911 BOARD

STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN NET POSITION

Year Ended June 30, 2013

	<u>Amount</u>	<u>Percent</u>
	<u>2013</u>	<u>2013</u>
OPERATING REVENUES		
Wireless fees	\$ 49,772,423	68.1
Landline fees	11,692,300	16.0
VOIP fees	6,655,852	9.1
Prepaid fees	<u>4,964,781</u>	<u>6.8</u>
TOTAL OPERATING REVENUES	<u>73,085,356</u>	<u>100.0</u>
OPERATING EXPENSES		
Hold harmless distribution	59,939,004	82.0
90/10 distribution	4,423,082	6.1
Operating expense	8,713,658	11.9
Depreciation expense	<u>9,826</u>	<u>0.0</u>
TOTAL OPERATING EXPENSES	<u>73,085,570</u>	<u>100.0</u>
OPERATING INCOME (LOSS)	<u>(214)</u>	<u>0.0</u>
OTHER INCOME / (EXPENSE)		
Other income/expense	<u>214</u>	<u>0.0</u>
TOTAL OTHER INCOME	<u>214</u>	<u>0.0</u>
CHANGE IN NET POSITION	<u>—</u>	<u><u>0.0</u></u>
NET POSITION, BEGINNING OF YEAR	4,336,886	
NET POSITION, END OF YEAR	<u>\$ 4,336,886</u>	

The accompanying notes are an integral part of these statements.

STATEWIDE 911 BOARD

STATEMENTS OF CASH FLOWS

Year Ended June 30, 2013

	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 69,510,142
Cash paid for PSAP distributions and operations	<u>(62,896,627)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>6,613,515</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of capital assets	<u>(2,343)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(2,343)</u>
NET INCREASE (DECREASE) IN CASH	6,611,172
CASH, BEGINNING OF YEAR	<u>6,802,644</u>
CASH, END OF YEAR	<u><u>\$ 13,413,816</u></u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Change in Net Assets	\$ —
Non-cash items	
Depreciation	9,826
Decrease (increase) in assets	
Accounts receivable	(3,575,214)
Prepaid expenses	(4,661)
Other receivables	(266)
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	(19,133)
PSAP distributions payable	<u>10,202,963</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 6,613,515</u></u>

The accompanying notes are an integral part of these statements.

STATEWIDE 911 BOARD

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2013

(1) Summary of significant accounting policies

The significant policies followed by the Statewide 911 Board ("the Board") are summarized as follows:

Organization – The Board was created under the applicable State of Indiana statutes. It exists as a separate body constituting an instrumentality for public purposes set forth in the statutes.

Nature of operations – The Board is a component unit of the State of Indiana. The purpose of the Statewide 911 Board is to insure the safekeeping of funds to be used in the implementation of Statewide 911 Services.

Fees – Communication Services Providers who are authorized to offer communication services to customers and/or users of the service in the State of Indiana are required to charge each customer/user a monthly fee for 911 services. The fee varies depending on the type of service used by the customer/user of communication services. Landline, VOIP and contractual wireless customers are billed ninety cents, (\$0.90) per month. Prepaid wireless customers/users are charged fifty cents (\$0.50) per transaction at the point of sale. Providers and/or retailers are permitted to retain a percentage of the fee collected for administrative purposes. The remaining amount must be remitted to the Board for deposit into the fund. Prepaid fees are remitted by the retailer to the Indiana Department of Revenue and subsequently transferred to the Board.

Cash – The Board considers cash to be cash on hand and in demand accounts. Cash is held by PNC Bank. At times, such cash may be in excess of the FDIC insurance limit. The cash balance at June 30, 2013 is held in a demand checking.

Accounts Receivable – The Board accounts for fees earned through year end, but not yet collected in the accounts receivable account. There is no allowance for doubtful accounts as all accounts are considered collectable as of June 30, 2013.

Prepaid Expenses – Prepaid expenses consists of expenditures for assets that have not yet been fully utilized. The Board amortizes these expenses over the expected life the assets.

Capital Assets – Additions to capital assets are capitalized at cost. The cost of maintenance and repairs are charged to operations as incurred. Depreciation of capital assets is computed by the straight-line method of depreciation using the following useful lives: computer equipment – 3 years; furniture – 6 years, and vehicles – 9 years.

Revenue recognition – The Board accounts for its operations on an accrual basis where fees earned and expenditures incurred are recorded in the period earned and incurred.

STATEWIDE 911 BOARD

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2013

(1) Summary of significant accounting policies (continued)

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Restricted net position - The Board's resources are classified for accounting and financial reporting purposes as restricted distribution to county government for operation of PSAP's and board responsibilities. The Board's expense is administering the chapter and to develop, operate, and maintain a statewide 911 system.

Subsequent events – Management has evaluated subsequent events through October 18, 2013, the date the financial statements were made available to be issued.

(2) Pension plan

The Board is a participating employer in the Indiana Public Retirement System (INPRS). INPRS resulted from legislation passed in 2010 that merged the Public Employer's Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF), with the merger of the funds being effective July 1, 2011. The Board contributes to the INPRS, an agent multi-employer public employee retirement system, which acts as a common investment and administrative agent for units of state and local government in Indiana. INPRS is governed by state statues ICS 5-10.2 and 5-10.3. As such, it is INPRS's responsibility to administer the law in accordance with the expressed intern of the Indiana General Assembly. INPRS is a qualified plan under the Internal Revenue Code Section 401(a) and is tax exempt.

INPRS is a contributory defined benefit plan that covers substantially all of the Board's employees. INPRS retirement benefits vest after 10 years of services. Senate Bill 74 enabled INPRS participants to be eligible for early retirement with 100% of the defined benefits pension if certain conditions were met. A participant may retire with full benefits at age 60 with 15 or more years of service or at age 55 if the participant's age plus years of service equals 85 or more (Rule of 85). If neither of the above conditions is met, a participant may retire with 100% of the pension benefit at age 65 with 10 or more years of service. This annual pension benefits is equal to 1.1% times the average annual salary times the number of years and months of INPRS-covered employment. The average annual salary used for calculating the pension benefit is an average of the participant's highest five years of employment earning within the 10 years preceding retirement. Participants who retire between the ages of 50 and 65 with 15 or more years of service receive a pension benefit that is reduced by various percentages according to the recipient's age.

STATEWIDE 911 BOARD

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2013

(2) Pension plan (continued)

In addition, the participants are required to contribute to an annuity savings account. Legislation permits an INPRS employer to make the participant's contributions on behalf of the participants. Participants may elect to receive the contributions and accumulated earnings in a lump sum at retirement, or they may choose to receive annuity amount as a monthly supplement to their employer-provided pension described above. The participant's balance in the annuity savings account may be withdrawn at any timer with interest should a participant terminate employment.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to INPRS, One North Capital, Suite 001, Indianapolis, IN 46204.

The Board is required to contribute to the Plan at an actuarially determined rate. The Board contributed 3% of the participant's annual salary to the annuity savings account. The contribution requirements of the participants are determined by the State statue.

For the 2013 plan year, the Board's annual contributions were \$15,013. For the 2012 plan year, the employees were leased from the Indiana Bond Bank and the employee contributions were made by the Indiana Bond Bank. The INPRS funding policy provides for actuarially determined periodic contributions at rates that change so that sufficient assets will be available to pay benefits when due. The required contributions were determined as part of the June 30, 2012 actuarial valuation using the entry age normal cost method. The asset valuation method is 4-year smoothing of gains/losses on market value with a 20% corridor. The actuarial assumptions included (a) a rate of return on investment of present and future assets of 6.75% and 7% in 2013 and 2012, respectively per year, compounded annually; (b) projected salary increases based on INPRS experience from 2005 to 2010; and (c) assumed annual postretirement increases of 1.0%. INPRS uses the method of establishing a new gain or loss base each year to amortize the unfunded liability over a 30-year open period.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of Statewide 911 Board

We have audited the financial statements of the Statewide 911 Board as of and for the year ended June 30, 2013, and have issued our report thereon dated October 18, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Statewide 911 Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit we considered the Statewide 911 Board's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. We did not identify certain deficiencies in internal control that we consider to be significant deficiencies in internal control, as defined above.

This report is intended for the information of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "London Witte Group, LLC". The signature is written in a cursive, flowing style.

London Witte Group, LLC

October 18, 2013

Statewide 911 Board
10 West Market Street, Suite 2950
Indianapolis, IN 46204

To the Board of Directors of the
Statewide 911 Board

We have audited the financial statements of the Statewide 911 Board for the year ended June 30, 2013, and have issued our report thereon dated October 18, 2013. As part of our reporting requirements, the Indiana State Board of Accounts (SBOA) has requested that we make the following certification regarding the Statewide 911 Board's compliance with Indiana Code Title 36, Article 8, Chapter 16.7, Section 37, as defined below:

- 1) The Board retained 11.9% of fees collected during the fiscal year, which represented the operating expenses necessary to develop, operate, and maintain the statewide 911 system. The fees retained by the Board were in excess of the 10% limit, as allowed by Indiana Code Title 26, Article 8, Chapter 16.7, Section 37, Subsection B, which permits the Board to retain fees in a manner that does not impair the ability of the Board to fulfill its management and administrative obligations.
- 2) The Board distributed, to the Indiana counties, distributions as defined in Indiana Code Title 36, Article 8, Chapter 16.7, Section 37.
- 3) The Board distributed, to the Indiana counties, all the remaining 911 fees, after the Board's administrative expense and the distribution. Ninety percent of this disbursement was paid based upon each counties percentage of the state's population. Ten percent of this disbursement was paid in an equal payment.

This letter is supplementary information that is included as part of the financial statements and notes of the Statewide 911 Board. It is intended solely for the use of management and the Indiana State Board of Accounts, and should not be used for any other purposes.

London Witte Group, LLC

London Witte Group, LLC